Local Authorities Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1988

Alberta
TREASURY

Local Authorities Pension Plan

ANNUAL REPORT

for the fiscal year ended March 31, 1988

90-00327/

Alberta

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

June 1989

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Local Authorities Pension Plan Act, being Chapter L-28.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Local Authorities Pension Plan for the fiscal year ended March 31, 1988.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

June 1989

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Local Authorities Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Local Authorities Pension Plan for the fiscal year ended March 31, 1988, to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

TABLE OF CONTENTS

	Page
Introduction	2
Plan Overview	2
Review of Operations	2
Actuarial Liabilities	3
Participation	3
Book Entry Transfers	3
Reciprocal Agreements	4
Reciprocal Transfers	5
Contributions	5
Refunds	6
Death in Service Benefits	6
Information and Counselling Services	6
Pension Benefits	6
Statement of Receipts and Payments	8
Comparative Statistics	8

Introduction

The Local Authorities Pension Plan was established effective April 1, 1962, by the Local Authorities Pension Act to provide a contributory pension scheme for employees of local authorities in Alberta. Local authorities include cities, towns, counties, municipal districts, hospitals, school divisions and districts, and other public bodies in Alberta, approved by the Lieutenant-Governor in Council.

The Local Authorities Pension Act was repealed on November 1, 1985 and replaced by the Local Authorities Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Local Authorities Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Local Authorities Pension Plan is a contributory defined benefit plan. For the calendar year 1987 employee contributions were at a rate of 4.025 per cent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 5.75 per cent on any excess. These rates will be increased by .175 per cent and .25 per cent respectively in the calendar years 1988 and 1989. The employer contributes at a rate of one per cent higher than the rate of the employee contributions. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Local Authorities Pension Plan.

Members may retire at any time after age 55 if five years of pensionable service has been accumulated. Normal pensionable age is 65, but members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age. Pension benefits are based on the number of years of pensionable service multiplied by 1.4 per cent of salary up to the maximum pensionable earnings under the Canada Pension Plan and two per cent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Single members may elect a life pension, choosing a normal pension, or a 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Local Authorities Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review, the Early Retirement Incentive Program, introduced by the Alberta Government for its employees as well as incentive programs offered by some Local Authorities employers created considerable extra work for the Pension Administration. Service to retirees was maintained at a satisfactory level, although certain planned improvements in administrative systems had to be postponed. However, an improvement of particular note was the introduction of an automated Notice of Return for employers which contains more meaningful pension information in an improved format.

Annual statements containing information on pensionable service, contributions and prior service purchased were produced and forwarded to employers for distribution to all active participants in the plan.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1988, estimated the accrued liability of the Local Authorities Pension Plan to be $3,854,614,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 13.4 per cent.

Participation

At March 31, 1988, there were 478 employers participating in the Local Authorities Pension Plan, 72,905 active contributors and 5,835 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the types of participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Local Authorities Pension Plan	Transfers From Local Authorities Pension Plan
	$	$
Public Service Pension Plan	2,261,111	1,042,305
Public Service Management Pension Plan	211,793	274,526
Special Forces Pension Plan	-	72,642
Universities Academic Pension Plan	63,507	190,753
	2,536,411	1,580,226

Reciprocal Agreements

At March 31, 1988, the Local Authorities Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Government Telephones Pension Plan
- Alberta Teachers' Retirement Fund
- Public Service Management Pension Plan
- Public Service Pension Plan
- Special Forces Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Canada Mortgage and Housing Corporation
- Dalhousie College and University
- Government of Canada
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- Manitoba Municipal Employees Benefits Board
- Minister of Finance, Government of New Brunswick
- Minister of Finance, Government of Prince Edward Island
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Regina Civic Employees' Superannuation and Benefits Plan
- Saint Paul University
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Teachers' Superannuation Commission
- University of Manitoba

The reciprocal agreement with the University of Regina was terminated effective September 3, 1987.

Reciprocal Transfers

During the year ended March 31, 1988, the following number and value of reciprocal transfers were undertaken:

	Transfers To Local Authorities Pension Plan		Transfers From Local Authorities Pension Plan	
	Number	Amount	Number	Amount
		$		$
Alberta Teachers' Retirement Fund	23	656,521	10	129,773
Government of Canada	12	173,745	12	174,600
Manitoba Civil Service Superannuation Board	3	74,870	–	–
Ontario Municipal Employees Retirement Board	–	–	14	341,676
Regina Civic Employees' Superannuation and Benefits Plan	–	–	3	48,820
Saskatchewan Health Care Association	9	126,399	5	58,227
Other	5	191,065	9	224,020
	52	1,222,600	53	977,116

Note: The amounts of reciprocal transfers to the Local Authorities Pension Plan are included in the section on Contributions.

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1988.

	Participants At March 31, 1988	Contributions Received		
		Employee	Employer	Total
		$	$	$
Cities	22,287	33,313,307	39,343,897	72,657,204
Towns	1,419	1,540,979	1,788,269	3,329,248
Villages	70	68,599	78,730	147,329
Counties	2,578	2,867,229	3,240,245	6,107,474
Municipal Districts	534	710,492	764,841	1,475,333
School Districts	8,204	8,246,741	9,288,167	17,534,908
Commissions	187	335,682	362,763	698,445
Hospitals	28,395	32,207,350	36,534,768	68,742,118
Other	9,231	12,762,324	14,782,935	27,545,259
Accounts Held On Deposit	5,835	4,309	–	4,309
	78,740	92,057,012	106,184,615	198,241,627

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

	Number	Amount
		$
Cash	3,737	9,575,450
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,682	7,384,371
	5,419	16,959,821

In addition, 766 refunds of excess contributions totalling $155,652 were made to members and employers during the year.

Death in Service Benefits

In the current year, 130 members died while in service. Fifty-nine of the surviving spouses were granted spousal pensions. Lump sums were paid to a total of 81 individual beneficiaries in respect of the other 71 deaths in service.

Information and Counselling Services

Payroll and Pensions presented 132 information seminars to employees during the year. Twenty-five workshops were held for employers to assist them in their pension administration responsibilities.

The average attendance at each workshop or seminar was 25. Alberta Treasury training facilities in Edmonton as well as facilities in locations across the province were used for these sessions.

A regular information bulletin, Pension News, was prepared for employers. The Alberta Retired Public Employees Society was assisted, by Payroll and Pensions, with the publication of their quarterly newspaper, Postscript.

Pension Benefits

During the year ended March 31, 1988, pension benefits paid totalled $105,640,075, an increase of $13,770,858 (15.0 per cent) over the previous year. A total of 1,217 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1988		1987	
Normal Retirement	317		265	
Early Retirement	766	(513)	577	(429)
Partial or Total Disability	75	(48)	61	(35)
Death-in-Service (Spousal)	59	(24)	71	(40)
	1,217	(585)	974	(504)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 204 were in respect of deferred retirements from previous years (39 normal, 139 early and 26 disability).

Pension options selected by members are as follows:

Member Pensions	At March 31, 1987	New Retire-ments	Benefi-ciaries	Deaths	End of Guaran-tee Term	At March 31, 1988
Normal (guaranteed 5 years)	1,905	118	6	(44)	(5)	1,980
Single Life	1,397	112		(41)		1,468
Guaranteed 10 years	2,245	116	40	(73)	(29)	2,299
Guaranteed 15 years	1,961	88	40	(53)	(18)	2,018
Guaranteed 20 years	1,370	122	20	(24)	(3)	1,485
Joint Life non-reduced	843	428	21	(24)		1,268
Joint Life Reduced one third	352	157	8	(9)		508
Joint Life Reduced one half	194	17	7	(4)		214
Spousal Pensions						
Single Life	227	11		(6)		232
Guaranteed 5 years	48	5				53
Guaranteed 10 years	95	8	1	(3)		101
Guaranteed 15 years	86	5				91
Guaranteed 20 years	363	30		(1)		392
Total Pensions	11,086	1,217	143	(282)	(55)	12,109
Pensions co-ordinated with CPP and/or OAS	5,003	585	51	(95)	(22)	5,522

The schedule below categorizes the pensions in effect at March 31, 1988, by dollar value of monthly pension.

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 1 - 499	5,434	502	5,936
500 - 999	2,778	243	3,021
1,000 - 1,499	1,547	79	1,626
1,500 - 1,999	843	39	882
2,000 - 2,499	408	6	414
2,500 - 2,999	148	-	148
3,000 and over	82	-	82
	11,240	869	12,109

Effective January 1, 1988, a cost of living adjustment of 2.5 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the year.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1988

	1988	1987
	$	$
RECEIPTS:		
Employee contributions	92,057,012	86,425,314
Employer contributions	106,184,615	100,292,120
Interest on overdue receivables	26,741	42,790
Total receipts	198,268,368	186,760,224
PAYMENTS:		
BENEFITS		
Pensions to retired members	98,528,734	85,870,827
Pensions to surviving spouses	5,833,589	5,178,331
Lump sums to beneficiaries of deceased pensioners	685,510	343,163
Lump sums to beneficiaries of deceased employees	592,242	476,896
	105,640,075	91,869,217
WITHDRAWALS		
Refunds of contributions and interest to terminated members (includes RRSP)	16,959,821	15,325,762
Reciprocal agreement transfers	977,116	647,503
Refunds of excess contributions	155,652	358,180
	18,092,589	16,331,445
Total payments	123,732,664	108,200,662
Excess of receipts over payments	74,535,704	78,559,562

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years:

(000's)

	RECEIPTS			PAYMENTS			
Fiscal Year	Employee	Employer	Total	Benefits	With-drawals	Total	Excess of Receipts over Payments
	$	$	$	$	$	$	$
1987/88	92,057	106,211	198,268	105,640	18,092	123,732	74,536
1986/87	86,425	100,335	186,760	91,869	16,332	108,201	78,559
1985/86	77,473	91,401	168,874	80,274	15,448	95,722	73,152
1984/85	73,394	87,590	160,984	69,041	12,698	81,739	79,245
1983/84	71,023	84,943	155,966	58,549	8,685	67,234	88,732